



**JOHN CHIANG**  
**California State Controller**

October 7, 2013

Doug Domene, Ed.D., Superintendent  
Placentia-Yorba Linda Unified School District  
1301 E. Orangethorpe Avenue  
Placentia, CA 92870

Dear Dr. Domene:

The State Controller's Office reviewed the costs claimed by Placentia-Yorba Linda Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2006, through June 30, 2007; and July 1, 2008, through June 30, 2012. We did not include the costs claimed for the period on July 1, 2007, through June 30, 2008, because the statute of limitations to initiate a review has expired. Our review was limited to ensuring that direct and indirect costs were properly reported in accordance with program requirements.

The district claimed \$186,061 for the mandated program. Our review found that \$96,135 is allowable (\$96,475 less a \$340 penalty for filing a late claim) and \$89,926 is unallowable. The costs are unallowable because the district did not report any Winton Act base-year costs and did not claim indirect costs on contract services, as described in the attached Summary of Program Costs and the Findings and Recommendations.

We informed Jayne Christakos, Assistant Superintendent of Business Services, of the review adjustment via email on September 16, 2013. We did not receive a response from the district.

For the fiscal year (FY) 2006-07 claim, the State made no payment to the district. Our review found that \$3,059 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district \$1,488. Our review found that \$2,179 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$691, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$4,885. Our review found that \$40,496 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$35,611, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our review found that \$39,825 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2011-12 claim, the State made no payment to the district. Our review found that \$10,576 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

Attachments

RE: S14-MCC-913

cc: Jayne Christakos, Assistant Superintendent of Business Services  
Placentia-Yorba Linda Unified School District  
Al Mijares, Ph.D., County Superintendent of Schools  
Orange County Department of Education  
Scott Hannan, Director, School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director, Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit, California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Attachment 1— Summary of Program Costs July 1, 2006, through June 30, 2007; and July 1, 2008, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 12,229	\$ 12,229	\$ —	
Contract services	702	702	—	
Subtotal	12,931	12,931	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(18,986)	(18,986)	Finding 1
Subtotal	12,931	(6,055)	(18,986)	
Adjustment to eliminate negative balance	—	6,055	6,055	
Increased direct costs, G1 through G3	12,931	—	(12,931)	
Component activities G4 through G7:				
Salaries and benefits	3,294	3,294	—	
Increased direct costs, G4 through G7	3,294	3,294	—	
Total increased direct costs, G1 through G7	16,225	3,294	(12,931)	
Indirect costs	494	105	(389)	Findings 1, 2
Subtotal	16,719	3,399	(13,320)	
Less late filing penalty <sup>2</sup>	—	(340)	(340)	
Total program costs	<u>\$ 16,719</u>	<u>3,059</u>	<u>\$ (13,660)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,059</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 9,238	\$ 9,238	\$ —	
Contract services	27	27	—	
Subtotal	9,265	9,265	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(20,861)	(20,861)	Finding 1
Subtotal	9,265	(11,596)	(20,861)	
Adjustment to eliminate negative balance	—	11,596	11,596	
Increased direct costs, G1 through G3	9,265	—	(9,265)	
Component activities G4 through G7:				
Salaries and benefits	2,052	2,052	—	
Increased direct costs, G4 through G7	2,052	2,052	—	
Total increased direct costs, G1 through G7	11,317	2,052	(9,265)	
Indirect costs	698	127	(571)	Findings 1, 2
Total program costs	<u>\$ 12,015</u>	<u>2,179</u>	<u>\$ (9,836)</u>	
Less amount paid by the State		(1,488)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 691</u>		

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 60,078	\$ 60,078	\$ —	
Subtotal	60,078	60,078	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(21,091)	(21,091)	Finding 1
Increased direct costs, G1 through G3	60,078	38,987	(21,091)	
Total increased direct costs, G1 through G7	60,078	38,987	(21,091)	
Indirect costs	2,325	1,509	(816)	Finding 1
Total program costs	<u>\$ 62,403</u>	<u>40,496</u>	<u>\$ (21,907)</u>	
Less amount paid by the State		(4,885)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 35,611</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 42,866	\$ 42,866	\$ —	
Contract services	16,031	16,031	—	
Subtotal	58,897	58,897	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(21,586)	(21,586)	Finding 1
Increased direct costs, G1 through G3	58,897	37,311	(21,586)	
Component activities G4 through G7:				
Salaries and benefits	1,941	1,941	—	
Increased direct costs, G4 through G7	1,941	1,941	—	
Total increased direct costs, G1 through G7	60,838	39,252	(21,586)	
Indirect costs	654	573	(81)	Findings 1, 2
Total program costs	<u>\$ 61,492</u>	<u>39,825</u>	<u>\$ (21,667)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 39,825</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 22,055	\$ 22,055	\$ —	
Subtotal	22,055	22,055	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(22,316)	(22,316)	Finding 1
Subtotal	22,055	(261)	(22,316)	
Adjustment to eliminate negative balance	—	261	261	
Increased direct costs, G1 through G3	22,055	—	(22,055)	
Component activities G4 through G7:				
Salaries and benefits	10,206	10,206	—	
Increased direct costs, G4 through G7	10,206	10,206	—	

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2011, through June 30, 2012 (continued)</u>				
Total increased direct costs, G1 through G7	32,261	10,206	(22,055)	
Indirect costs	1,171	370	(801)	Finding 1
Total program costs	<u>\$ 33,432</u>	10,576	<u>\$ (22,856)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,576</u>		
<u>Summary: July 1, 2006, through June 30, 2007; and July 1, 2008, through June 30, 2012</u>				
Total increased direct costs, G1 through G7	\$ 180,719	\$ 93,791	\$ (86,928)	
Indirect costs	5,342	2,684	(2,658)	
Subtotal	186,061	96,475	(89,586)	
Less late filing penalty	—	(340)	(340)	
Total program costs	<u>\$ 186,061</u>	96,135	<u>\$ (89,926)</u>	
Less amount paid by the State		(6,373)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,762</u>		

<sup>1</sup> See Attachment 2, Findings and Recommendations.

<sup>2</sup> The district filed its fiscal year 2006-07 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed \$10,000 (for claims filed on or after August 24, 2007).

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## **Attachment 2— Findings and Recommendations July 1, 2006, through June 30, 2007; and July 1, 2008, through June 30, 2012**

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### **Background**

The current findings are the result of our review of the mandated cost claims filed for the legislatively mandated Collective Bargaining Program for the period of July 1, 2006, through June 30, 2007; and July 1, 2008 through June 30, 2012.

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives related to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5, requiring school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding. On August 20, 1998, the CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on October 22, 1980 and amended them ten times, most recently on January 29, 2010.

In compliance with Government Code section 17558, the State Controller's Office (SCO) issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

**FINDING 1—  
Unreported Winton Act  
base-year direct costs,  
and related indirect  
costs**

The district did not report any Winton Act direct costs on its mandated cost claims for fiscal year (FY) 2006-07, and FY 2008-09 through FY 2011-12. Specifically, the district did not offset the Winton Act base-year costs against the current-year Rodda Act costs for components G1 through G3, thus understating the Winton Act base-year costs by \$104,840 for the review period. Unallowable related indirect costs total \$2,916.

The following table summarizes the unreported Winton Act base-year costs by fiscal year:

	Fiscal Year					Total
	2006-07	2008-09	2009-10	2010-11	2011-12	
Winton Act base-year costs, FY 1995-96	\$ (4,710)	\$ (4,710)	\$ (4,710)	\$ (4,710)	\$ (4,710)	
Implicit price deflator (IPD)	x 4.031	x 4.429	x 4.478	x 4.583	x 4.738	
Winton Act base-year costs adjusted by the IPD	(18,986)	(20,861)	(21,091)	(21,586)	(22,316)	(104,840)
Less: reported Winton Act base-year costs	-	-	-	-	-	-
Unreported Winton Act base-year costs adjusted by the IPD	(18,986)	(20,861)	(21,091)	(21,586)	(22,316)	(104,840)
Related indirect cost adjustment	(411)	(573)	(816)	(315)	(801)	(2,916)
Review adjustment	\$ (19,397)	\$ (21,434)	\$ (21,907)	\$ (21,901)	\$ (23,117)	\$ (107,756)

The amended parameters and guidelines (Section H – Supporting Data for Claims – Report Format for Submission of Claim) state:

- a. For component activities G1, G2, and G3:
  1. Determination of the “increased costs” for each of these three components requires the costs of current year Rodda Act activities to be offset [reduced] by the cost of the base-year Winton Act activities. The Winton Act base-year is generally fiscal year 1974-75.

Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs for these three components. The Implicit Price Deflator shall be listed in the annual claiming instructions of the State Controller.

The Winton Act base-year costs were obtained from the FY 1995-96 claim the district submitted to the SCO’s Division of Accounting and Reporting. The implicit price deflator (IPD) is reported in the SCO’s annual claiming instructions.

**Recommendation**

We recommend that the district ensure that all Winton Act base-year costs are adjusted by the implicit price deflator, as listed in the SCO’s annual claiming instructions, and are properly offset against the district’s current-year Rodda Act direct costs claimed.

**FINDING 2—  
Unclaimed indirect costs  
on contract services**

The district did not claim indirect costs on contract services for FY 2006-07, FY 2008-09, and FY 2010-11; resulting in an understatement of \$258. We determined allowable indirect costs by multiplying allowable contract services by the indirect cost rates claimed by the district. The indirect cost rates claimed by the district agreed to the rates approved by the California Department of Education (CDE).

The parameters and guidelines allow indirect cost rates provisionally approved by the CDE. The CDE indirect cost rates apply to total direct costs (salaries and benefits, materials and supplies, and contract services). The error occurred because the district followed the claiming instructions identified on Form 1 for the Collective Bargaining Program that inadvertently excluded contract services from the calculation of indirect costs. The Collective Bargaining Program claiming instructions have since been corrected.

The following table summarizes the calculation of unclaimed indirect costs on contract services for the review period:

	Fiscal Year			
	2006-07	2008-09	2010-11	Total
Allowable contract services	\$ 702	\$ 27	\$ 16,031	
Claimed indirect cost rate	3.18%	6.18%	1.46%	
Review adjustment	\$ 22	\$ 2	\$ 234	\$ 258

**Recommendation**

We recommend that the district follow the updated guidance in the claiming instructions for calculating indirect costs on contract services.